

The government's response to the Natural Capital Committee's third State of Natural Capital report

September 2015

The government is grateful for the expert advice the Natural Capital Committee has provided in its three State of Natural Capital reports. The Committee is a world first and its expertise has placed us at the leading edge of this innovative movement. As a result of the Committee's work, we:

- better understand the benefits we get from nature;
- recognise that the environmental assets, that provide our clean air and water, opportunities for recreation, and our food and fibre, are an essential component of our nation's infrastructure;
- are able to make better decisions about how we interact with and manage our natural environment to ensure its health and resilience so it can provide us with the benefits we need for a sustainable economy and fulfilled and productive society.

We agree with the Committee that if economic growth is to be sustained, natural capital has to be safeguarded.

The 25 year plan and strategy (Recommendations 1 and 9)

We agree with the aims of the Committee's recommendation to develop a 25 year plan and government will be producing a 25 year plan for a healthy natural economy.

The Plan will:

- Place us a world leader in using data, tools and techniques to understand, map and monitor the condition and value of our land, water, air, sea and wildlife, the benefits they give us and how they are changing
- Give people more opportunity to use, enjoy and engage with the natural environment
- Help individuals and organisations at local, regional, national and international levels to understand the economic, social and cultural value of nature, the impact that their actions have on it, and to use this knowledge to make better decisions and facilitate the design of sustainable financing models.

- Identify our most important and threatened environmental assets, prioritising where investment in them will deliver the greatest benefits and identifying how that investment can best be secured
- Focus policies on delivering better environmental outcomes
- Deliver on the range of natural capital related commitments that government has made, including: putting in place a new 'Blue Belt' to protect precious marine habitats; spending £3 billion from the Common Agricultural Policy to enhance England's countryside over the next five years; planting an additional 11 million trees; launch an ambitious programme of pocket parks; tackling air and water pollution; and ensuring the value of Green Belts and AONB's, National Parks, SSSI's and other environmental designations are appropriately protected;
- The 25 year plan will initially look to address outstanding monitoring and data issues, so we can make better informed decisions about where strategic investments in natural capital are needed and what form these should take.

This plan will be an opportunity to improve how we manage our natural environment, aiding the delivery of multiple benefits, resilience in the face of pressure and change (e.g. population growth, global geo-political dynamics, climate change, health issues) and unleashing new and innovative opportunities for investment in our natural assets. Many of the benefits we get from nature are felt most strongly at a local level. Local businesses, land owners, and people all shape their landscapes, and this influences what local people get from their environment. We will equip local decision makers with the tools they need to assess the benefits that come from their land and water assets so they can use them most effectively, be it to support livelihoods, their local communities, the economy, the provision of public goods, or personal enjoyment.

Assign institutional responsibility for monitoring the state of natural capital (Recommendation 2)

The NCC is right that we must improve how we monitor our natural capital. Making this happen will be a priority in the 25 year plan. We need to agree: the natural capital assets that should be monitored; the gaps in monitoring these; and consider what information is required and who has the knowledge needed to improve decisions.

Organisations should create a register of natural capital for which they are responsible and use this to maintain its quality and quantity (Recommendation 3)

We agree with the underpinning premise of this recommendation; that organisations that manage land and water assets should be equipped with the knowledge and tools that allow them to assess the wider set of benefits these provide their organisation and society. This in turn can help inform decisions about how these assets are managed and utilised:

potentially unlocking new sources of revenue; reducing overheads; increasing resilience; optimising their value; and demonstrating an organisation's contribution to the provision of public goods and services.

We support the NCC's work on developing an approach to corporate natural capital accounting. We will continue to work with the Natural Capital Coalition and the Natural Capital Declaration as they develop an internationally agreed approach to valuing and accounting for nature in business and finance. We will work to ensure that the emerging approaches are consistent, compatible, rigorous, proportionate and replicable.

Once a domestically and internationally agreed approach to natural capital accounting has been established, we will look at appropriate mechanisms to support further adoption of the approach.

We do not currently consider the approach of creating "registers of natural capital" as universally applicable. However we would encourage those organisations with significant influence or dependence on land, air and water assets to consider how best they can manage these to maximise value and minimise risks – the methods explored in corporate natural capital accounting can help enhance the quality of organisational decision making in this regard.

The government should urgently step up action to ensure that the Office for National Statistics and Defra meet the target of incorporating natural capital in to the national accounts by 2020 (Recommendation 4)

We agree that getting natural capital in to the national accounts by 2020 is a priority. On 20 March 2015 the Office for National Statistics published a refreshed Roadmap setting out the priorities for the next phase to 2017, reaffirming our commitment and ensuring we stay on track to meet the 2020 target.

The National Infrastructure Plan should incorporate natural capital in to each of the main infrastructure sectors (Recommendation 5)

The government recognises the value of natural capital to the country's long-term economic growth. We do not currently agree that an investment programme for natural capital should explicitly feature in the National Infrastructure Plan. We do, however, strive for all publically funded infrastructure investments to make a positive contribution to protecting and enhancing our natural environment, further strengthened by expected upcoming revisions to the Green Book. For example, we are investing £300m as part of the new roads programme to deliver improvements for the local environment.

The government should revise its economic appraisal guidance (Green Book) implementing our advice (Recommendation 6)

We agree that there is scope to improve the consideration of natural capital within government's economic appraisal guidance. This is why a programme of work to enhance the core guidance in the Green Book is currently underway. New draft text on natural capital is being developed as part of the overarching guidance on accounting for environmental impacts in policy appraisal, which reflects the NCC's recommendations.

The government should drive a substantial, long term, interdisciplinary research programme on natural capital to inform future iterations of the strategy

The NCC rightly identifies the importance of evidence in informing our approach to natural capital policy. The government is already supporting two substantial, long-term interdisciplinary research platforms on natural capital through its Research Councils:

- a. The Biodiversity and Ecosystem Services for Sustainability (BESS) programme (£13m). This is a six-year programme exploring the role of biodiversity in determining natural capital benefits. It has a specific goal to develop novel tools and indicators for tracking and measuring biodiversity and ecosystem services;
- b. The Valuing Nature Network (VNN, £6.5m). This is an interdisciplinary research programme that aims to better understand and represent the complexities of the natural environment in valuation analyses and decision making and to consider the wider economic, societal and cultural value of our natural capital.

In parallel, we will continue to work with the Office for National Statistics to integrate natural capital into our national accounts.

Government should determine how the plan to protect and improve natural capital is to be funded (Recommendation 8)

Government acknowledges that having the appropriate funding and incentive mechanisms in place will be a determining factor in the success of the plan. This plan will break new ground, and will need innovative approaches to funding and delivery. As we develop the plan, consideration of how actions will be taken forward, by whom, and how these can be resourced will be a core part of the design process.

Government will use the concept of natural capital to help enhance decisions on how public money is invested in land and water asset management to deliver greater value and multiple benefits. All decisions on spending allocations in this Parliament will be set out following the Spending Review later this year; and will be made on the basis of a wide range of factors such as efficiency and broader evidence on value for money, distributional

and equalities impacts and the priorities of the government of the day including performance goals.

However, investment in natural capital is not the sole responsibility of government as the NCC highlights. We want to develop the evidence for the full range of sustainable funding opportunities that could help to underpin the plan. Natural capital accounting for example, provides a tool that allows organisations to understand the value of assets under their control and the change in these values over time. We would encourage asset owners and managers to apply this approach to ensure that the value of these assets and their associated benefits are maintained over time.

The future of the Natural Capital Committee

The current Committee has successfully fulfilled its terms of reference and the government would like to extend its gratitude to Professor Dieter Helm and the Committee members for their dedication and expertise. We have received world class independent advice on this cutting edge approach to viewing and valuing our natural environment, which resonates across government and beyond. However, there is still more for us to do on this evolving area, which is why we have committed to extend the life of the Committee until at least the end of this Parliament.

We intend to maintain the link between the NCC and Economic Affairs Committee, and continue to draw on NCC advice when developing policy and particularly in the development and delivery of the 25 year plan. We will develop new Terms of Reference to reflect this and will consider the most appropriate form for the Committee in light of these. We would like it to have a strong focus on building on its previous work by promoting and embedding the value of natural capital in a simple and practical way to better inform decision makers at the national, regional, local, and organisational/ asset levels.



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